

Articles Program



Help fund higher education

The U.K. publication *Times Higher Education* has released its 2010 rankings of the world's best schools. Nine Canadian universities were in the top 200.¹

But higher education comes with a steep price tag. The growing costs are usually shouldered by students themselves, often with help from family members, providing their pockets are deep enough.

Dr. Darroch (Rick) A. Robertson, FCA, of the Ivey School of Business in London believes a university education is one of the best investments you can make in your own or your child's future. The benefits go well beyond earnings, which some estimates have pegged to be as much as 70 per cent higher among college graduates.²

So, for yourself or your children, here are seven of Dr. Robertson's tips to help manage the investment in higher education.

1. **Begin with the end in mind** - Start early with a Registered Education Savings Plan for your child or grandchild. This government-matching scheme will add up to 20 per cent more to your contributions, to a maximum grant of \$500 per year and additional government grant amounts may be available where your family income is less than \$81,491. You can invest in a wide variety of financial instruments, and any income earned in the fund is tax free, as long as it's used for education.

2. **Claim your tax credits** - Claim your tuition costs. The Education Tax Credit allows full-time, post-secondary students to claim \$400 for each month in school - part-timers get \$120 per month. There's also the text book credit, which is \$65 for each month a full-time student spends in school; \$20 monthly for part-time. Ontario allows a tuition and education credit. You must have reported income, and actually paid taxes in order to qualify for these credits. But a maximum of \$5,000 in unused tuition, education or text book credits can be transferred to a spouse, parent, or grandparent if the student does not require the credit to

¹ The Vancouver Sun
<http://www.vancouver.sun.com/news/Canadian+universities+post+strong+showings+annual+world+rating/3537335/story.html#ixzz106BtgmSc>

² Post secondary success – the <http://www.gatesfoundation.org/learning/Documents/postsecondary-education-success-plan-brochure.pdf>

eliminate their own tax liability. Or, any remaining credit can be carried forward and claimed by the student when they have taxes to pay in a future year. The Canada Revenue Agency tracks any carry-forward amounts, provided you've filed an income tax return.

3. Look into different programs and their costs - Not all college and university programs are created equal, especially costwise. Medical, dental and law school top the list for tuition and book costs, and the best business schools can be just as expensive, or even more as one advances. And unlike other expenses that can be financed over a term, Robertson says tuition often has to be paid in full on day-one of each academic year.

4. Get a student loan - Low-interest and government-backed, these lending plans are administered by regular banks and financial institutions. Robertson says it's pretty much expected that families will help out if they can, so you have to qualify for them financially. Interest doesn't accrue as long as you're in school. Once you start earning money, the payback process starts, but even then, the interest qualifies for a tax credit. For professionals, personal loans are often possible, hedged by the prospect of future earnings.

5. Apply for scholarships, bursaries and awards - University scholarships are usually reserved for stellar academic students, but are still worth investigating. Often, there are smaller bursaries, awards or prizes available for high school students, especially in certain programs or areas of study. And, if you receive one of these scholarships or awards, it's tax-free, providing that you qualify for the full-time education credit. If you qualify for the part-time education credit, only the tuition amount of the award is tax-free.

6. Involve kids in saving for their education - Robertson says that a college or university education is a huge reward. Young people need to have a vested interest and an instilled sense of its value to their lives. Set the expectation that they'll go on to study after high school. Make sure they know there is a plan for them, and they must work and save for it, too.

7. Make time work for you - No government plan or tax incentive can compensate for a prudent savings plan and the miracle of compound interest. Start young, be diligent, and see what time can do to help you pay for your education.

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